

SIGNIFICANT TAX EXPENDITURES, BY TOPIC*

1. Expenditures Benefiting Children

- Bolstering Income for Families
 - Dependent Exemption Credit in Excess of Personal Exemption Credit
 - Exclusion of Foster Care Payments
 - Head-of-Household and Qualifying Widower Filing Status
 - Joint Custody Head-of-Household Credit
 - Qualified Senior Head-of-Household Credit
- Assistance for Non-Biological Parents
 - Child Adoption Expenses Credit
 - Exclusion of Foster Care Payments
 - Qualified Senior Head-of-Household Credit
- Subsidizing Single Parents
 - Head-of-Household and Qualifying Widower Filing Status
- Child Care Subsidies
 - Employer Childcare Credits
 - Exclusion of Employee Child and Dependent Care Benefits
 - Child and Dependent Care Expenses Credit

2. Expenditures for Education

- Saving for College
 - Exclusion of Earnings on Coverdell Education Individual Savings Accounts
 - Exclusion of Income Earned on Section 529 Plans
- Third Party Funding for Education
 - Exclusion of Scholarships, Fellowships, and Grants
 - Exclusion of Employer-Provided Education Assistance
 - Student Loan Interest Deduction
- Encouraging Teaching
 - Teacher Retention Credit

3. Expenditures for Necessities of Life

- Food Products Exemption
- Gas, Electricity, Water, and Steam Exemption
- Prescription Drugs Exemption
- Medical and Dental Expense Deduction

*Note: Tax expenditures may be listed more than once in another category.

Sources: Franchise Tax Board, Board of Equalization, Department of Finance, Legislative Analyst's Office

SIGNIFICANT TAX EXPENDITURES, BY TOPIC*

4. Expenditures Benefiting the Elderly

- Income Subsidies
 - Exclusion of Social Security Benefits
 - Senior Exemption Credit
- Subsidies for Care of the Elderly
 - Dependent Parent Credit
 - Head-of-Household and Qualifying Widower Filing Status
- Subsidies for Elderly with Dependents
 - Qualified Senior Head-of-Household Credit

5. Expenditures for the Environment

- Land and Water Conservation
 - Expensing of Agricultural Costs for Soil or Water Conservation and Prevention of Erosion
 - Amortization of Reforestation Expenditures
 - Natural Heritage Preservation Credit
 - Exclusion of Recycled or Redeemed Beverage Container Redemption Payments
- Promoting Energy Conservation
 - Solar Energy Systems Credit
 - Solar Energy Systems Property Tax Exception
- Reducing Air Pollution
 - Rice Straw Credit

6. Expenditures Facilitating Employment

- Benefits for Employees Requiring Childcare
 - Employer Childcare Credits
 - Exclusion of Employee Child and Dependent Care Benefits
 - Child and Dependent Care Expenses Credit
- Transportation Subsidies
 - Exclusion of Transportation Related Fringe Benefits
 - Moving Expense Deduction
- Benefits for Specific Industries
 - Farmworker Housing Costs Credit
 - Teacher Retention Credit

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SIGNIFICANT TAX EXPENDITURES, BY TOPIC*

Expenditures Facilitating Employment (Continued)

- Benefits for Targeted Disadvantaged Populations
 - Special Treatment for Economically Depressed Areas -- Enterprise Zones (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Areas (LAMBRA), Targeted Tax Area (TTA), and Manufacturing Enhancement Areas (MEA)
 - Prison Inmate Labor Costs Credit

7. Expenditures for Health Care

- Insurance Purchase Subsidies
 - Exclusion of Employer Contributions to Accident and Health Plans
 - Self-Employed Health Insurance Premium Deduction
 - Exclusion of Benefits Provided Under Cafeteria Plans
- Other Medical Expense Prepayment Subsidies
 - Medical Savings Account Deduction
- Benefits for Taxpayers Who Have Incurred Major Health-Related Expenses
 - Prescription Drugs Exemption
 - Medical and Dental Expense Deduction
 - Exclusion of Compensation for Injuries or Sickness
- Benefits for Assistance Providers
 - Long-Term Care Credit
 - Disability Access Expenditure Credit
- Benefits for Specific Medical Problems
 - Blind Exemption Credit

8. Expenditures for Housing

- Benefits for Homeowners
 - Mortgage Interest Deduction
 - Exclusion of Capital Gains on the Sale of a Principal Residence
 - Real Property Tax Deduction
 - Gas, Electricity, Water, and Steam Exemption
- Benefits for Rental Housing
 - Renter's Credit
 - Low-Income Rental Housing Expenses Credit
 - Gas, Electricity, Water, and Steam Exemption

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9. Expenditures Related to Finance

- Rules for Alternative Business Ownership Structures
 - Limited Partnership Investment Source Rules
 - Credit Union Treatment
 - Employee Stock Ownership Plans
- Special Rules for Banking
 - Reserve Allowance for Bad Debts Deduction
 - Special Treatment for Economically Depressed Areas (EZ, LARZ, LAMBRA, TTA, MEA)
 - Credit Union Treatment
 - Community Development Financial Institution Credit
 - Financing Small Businesses
 - Exclusion of Capital Gains on Small Business Stock

10. Expenditures for Business Investments

- Depreciation
 - Depreciation Amounts Beyond Economic Depreciation
 - Accelerated Depreciation of Research and Experimental Costs
 - Small Business Expense Deduction
- Research and Development
 - Accelerated Depreciation of Research and Experimental Costs
 - Research and Development Expenses Credit
- Equipment and Infrastructure
 - Disability Access Expenditure Credit
 - Joint Strike Fighter Property and Wage Credits
 - Enhance Oil Recovery Costs Credit
- Subsidies for the Petroleum Industry
 - Enhanced Oil Recovery Costs Credit
 - Percentage Resource Depletion Allowance
 - Ultra-Low Sulfur Diesel Fuel Tax Credit and Expensing
- Subsidies for Agricultural Industry
 - Animal Life, Feed, Seeds, Plants and Fertilizer, Drugs and Medicine Exemption
 - Farm and Forestry Equipment Exemption
 - Diesel Fuel Used in Agriculture Exemption
 - Expensing of Agricultural Costs for Soil or Water Conservation and Prevention of Erosion

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Expenditures for Business Investments (Continued)

- Subsidies for Other Specific Industries
 - Joint Strike Fighter Property and Wage Credits
 - Expensing of Circulation Costs for Periodicals
 - Low-Income Rental Housing Expenses Credit
 - Aircraft Jet Fuel Used By Common Carriers and Military Exemption
 - Custom Computer Programs Exclusion
 - Leases of Motion Picture and Television Films and Tapes Exemption
 - Bunker Fuel Sales Tax Exemption
 - Printed Sales Messages Exemption
 - Teleproduction Exemption
 - Perennial Plant Exemption
- Subsidies for Investments in Targeted Locations
 - Special Treatment for Economically Depressed Areas
 - Community Development Financial Institution Credit
- Preferential Treatment for Small Businesses
 - Exclusion of Capital Gains on Small Business Stock
 - Reserve Allowance for Bad Debts Deduction
 - Small Business Expense Deduction

11. Expenditures for Employer Provided Benefits

- Insurance
 - Exclusion of Employer Contributions to Accident and Health Plans
 - Self-Employed Health Insurance Premium Deduction
 - Exclusion of Employer Contributions for Life Insurance
 - Exclusion of Benefits Provided Under Cafeteria Plans
- Pension Plans
 - Exclusion of Employer Contributions to Pension Plans
 - Self-Employed Retirement Plans
- Transportation Subsidies
 - Exclusion of Transportation Related Fringe Benefits
 - Moving Expense Deduction
 - Employee Business and Miscellaneous Expense Deduction
 - Exclusion of Miscellaneous Fringe Benefits
- Childcare Benefits
 - Exclusion of Employee Child and Dependent Care Benefits
 - Exclusion of Benefits Provided Under Cafeteria Plans

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Expenditures for Employer Provided Benefits (Continued)

- Employee Housing
 - Exclusion of Meals and Lodging Furnished by an Employer
 - Farmworker Housing Costs Credit
- Other Employer Provided Benefits
 - Exclusion of Employer-Provided Education Assistance
 - Employee Business and Miscellaneous Expense Deduction
 - Exclusion of Miscellaneous Fringe Benefits

12. Expenditures Encouraging Savings

- For Retirement
 - Individual Retirement Accounts
 - Exclusion of Employer Contributions to Pension Plans
 - Self-Employed Retirement Plans
- For Medical Expenses
 - Medical Savings Account Deduction
- For College
 - Exclusion of Earnings on Coverdell Education Individual Savings Accounts
 - Exclusion of Capital Gains on Small Business Stock

13. Expenditures for Capital Gains

- Basis Step-Up on Inherited Property
- Exclusion of Capital Gains on the Sale of a Principal Residence
- Exclusion of Capital Gains on Small Business Stock

14. Expenditures for Government Programs

- Expanded Benefits for Payments Received
 - Exclusion of Interest on Federal Government Obligations
 - Exclusion of Unemployment Insurance Benefits
 - Exclusion of State Lottery Winnings
 - Exclusion of Scholarships, Fellowships, and Grants
- Compensation for Non-Income Taxes
 - Real Property Tax Deduction
 - Personal Property and Other Tax Deduction

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15. Expenditures for Catastrophes

- Life Insurance
 - Exclusion of Proceeds from Life Insurance and Annuity Contracts
 - Exclusion of Employer Contributions for Life Insurance
- Other Catastrophes
 - Casualty Loss Deduction
 - Accelerated Deduction of Charitable Contributions for Specific Disaster Relief
 - Beneficial Homeowners' Exemption Treatment After Disasters
 - Favorable Net Operating Loss Carryforward Treatment After Disasters

16. Expenditures Related to the Definition of Corporate Income

- General Structure of Corporate Taxation
- Water's-Edge Election
- Double-Weighted Sales Apportionment Formula
- Nonprofit Activities
- Charitable Contribution Deduction
- Tax-Exempt Status for Qualifying Corporations
- Transportation of Donated Agricultural Products Credit
- Credit Union Treatment

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